Supreme Court, U.S.
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No. 95-___

IN THE
Supreme Court Of The United States

October Term, 1995

AMERICAN HOME PRODUCTS CORPORATION
AND
HERCHEL SMITH

Petitioners,

v.

JOHNSON & JOHNSON
AND
ORTHO PHARMACEUTICAL CORPORATION

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

Petitioner sued respondents for patent infringement. Respondents asserted a counterclaim, alleging that petitioner had filed the suit in bad faith for purposes of stifling competition. Despite this Court's controlling decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 113 S.Ct. 1920 (1993), petitioner's efforts to have the counterclaim dismissed were rebuffed at every juncture. As a result, respondents took the opportunity to saturate the jury with inflammatory allegations regarding petitioner's bad faith and evil, anticompetitive motives. Although the jury subsequently found for petitioner on the counterclaim, it ruled for respondents on the patent infringement claim, which the district court improperly characterized as depending on the equities between the parties.

The Federal Circuit held, *inter alia*, that any improper admission of evidence relating to respondents' counterclaim was *per se* harmless simply because the jury found against respondents on their counterclaim, and the court failed to address the district court's erroneous charge on infringement law.

(1) Did the court below commit error in fashioning a rule of law that, for purposes of 28 U.S.C. § 2111 and Fed. R. Civ. P. 61, an error is necessarily harmless simply because the cause of action to which it relates was defeated?

(2) Did the court below commit error in failing to rule on the district court's erroneous jury charge merely because the issue of whether patent infringement requires determination of equitable considerations was pending before the court *in banc* in another case?

LIST OF PARTIES TO THE PROCEEDING PURSUANT TO RULE 29.1

The names of all parties in the court whose judgment is sought to be reviewed appear in the caption of this Petition for Writ of *Certiorari*.

LIST OF PARTIES PURSUANT TO RULE 29.6

Petitioner American Home Products Corporation is affiliated with the following companies, exclusive of wholly-owned subsidiaries:

Affymax N.V.;
Athena Neurosciences, Inc.;
Genetics Institute;
Immunex Corporation;
Med Immune, Inc.
Mitsui & Co., Ltd.;
Scios-Nova Inc.;
Wyeth Laboratories Limited; and
Wyeth Laboratories (Pakistan) Limited.

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On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioner American Home Products respectfully petitions for a writ of *certiorari* to review the judgment of the United States Court of Appeals for the Federal Circuit ("Federal Circuit") in the above-captioned case.

OPINIONS BELOW

The post-trial rulings of the district court are unreported and are reproduced at App. A-17.[1] The affirmance of the Federal Circuit is unreported and is reproduced at App. A-1.

[1] References to the attached appendix are indicated by citations to "App." References to the record in the court below are denoted "JApp."

The Federal Circuit order denying rehearing is reproduced at App. A-15.

JURISDICTION

The district court had jurisdiction pursuant to 28 U.S.C. § 1338(a). The Federal Circuit had jurisdiction pursuant to 28 U.S.C. §§ 1291 and 1295. The judgment of the Federal Circuit was entered on June 29, 1995. App. A-1. Petitioner filed a timely petition for rehearing and suggestion for rehearing *in banc*, which was denied on August 9, 1995. App. A-15. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED IN THE CASE

28 U.S.C. § 2111 provides:

> On the hearing of any appeal or writ of certiorari in any case, the court shall give judgment after an examination of the record without regard to errors or defects which do not affect the substantial rights of the parties.

Fed. R. Civ. P. 61 provides:

> No error in either the admission or the exclusion of evidence and no error or defect in any ruling or order or in anything done or omitted by the court or by any of the parties is ground for granting a new trial or for setting aside a verdict or for vacating, modifying, or otherwise disturbing a judgment or order, unless refusal to take such action appears to the court inconsistent with substantial justice. The court at every stage of the proceeding must disregard any error or defect in the proceeding which does not affect the substantial rights of the parties.

STATEMENT OF THE CASE

Petitioner American Home Products is the assignee of reexamined United States Patent No. B1 4,002,746 to Hughes and Smith ("the Hughes patent") relating to a novel class of compounds and methods of using those compounds as contraceptives.

Petitioner sued respondents Johnson & Johnson and Ortho Pharmaceutical Corporation for patent infringement under the doctrine of equivalents. The district court concluded that petitioner was likely to succeed on the merits, and accordingly, granted a preliminary injunction. *American Home Prods. Corp. v. Johnson & Johnson*, 22 U.S.P.Q.2d 1561 (E.D. Pa. 1991). Respondents appealed that order to the Federal Circuit.

Before oral argument was heard on the appeal, respondents answered the complaint, denied infringement and demanded a jury trial. JApp. 1079-87. More important here, *respondents also asserted a counterclaim for unfair competition*, alleging that petitioner had filed its infringement suit as a sham and had obtained a preliminary injunction in bad faith. Because respondents' sham litigation counterclaim was insufficient as a matter of law, petitioner moved to dismiss the counterclaim and, in the alternative, for summary judgment. JApp. 1088-89.

The Federal Circuit vacated the injunction by a two-to-one panel decision. *American Home Prods. Corp. v. Johnson & Johnson*, 25 U.S.P.Q.2d 1954 (Fed. Cir. 1992). Specifically, the panel majority ruled that the district court had made insufficient factual findings regarding infringement to support its conclusion of likelihood of success on the merits. *Id.* at 1956. In remanding for further proceedings, the majority improperly imposed a separate "equitable" threshold for petitioner to prove prior to consideration of its infringement claim under the doctrine of equivalents. By saddling petitioner with this additional burden, the panel majority provided respondents with a separate, equitable defense to the infringement charge.

After the preliminary injunction had been vacated, briefing on petitioner's motion to dismiss or for summary judgment on the counterclaim resumed. Prior to the district court's ruling on petitioner's motion, this Court's decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 113 S.Ct. 1920 (1993), confirmed beyond any dispute the legal insufficiency of respondents' counterclaim. There, this Court reviewed its precedents developed under the so-called "Noerr-Pennington" doctrine, and then outlined a two-tier analysis for determining whether litigation is an improper sham brought for anti-competitive purposes:

> First, the lawsuit must be *objectively* baseless in the sense that no reasonable litigant could reasonable expect success on the merits. . . . *Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation.*

Id. at 1928 (emphasis added). Quite plainly, a party must first prove an action to be objectively baseless *before* any evidence of the subjective motivation underlying the suit may be introduced. *Id.* If this threshold showing is not made, immunity stands, the claim fails, and no evidence of subjective intent is relevant. Any other rule would erode the constitutional right of petition.

When the counterclaim was before the district court, the objective merit of petitioner's suit was incontrovertible for numerous reasons, including: (a) the district court had already granted petitioner's motion for a preliminary injunction (JApp. 1057-58); (b) one judge of the Federal Circuit had voted to affirm the preliminary injunction; (c) respondents had not contested the validity of petitioner's patent (JApp. 3116-479, 5299); (d) a 1977 opinion of respondents' patent counsel had stated that the patent was valid and might well be infringed (JApp. 3120-60); and (e) evidence obtained from respondents prior to filing this suit provided a sufficient basis for this suit (JApp. 482-83,

5879-80). This evidence was not disputed, and respondents attempted no showing to the contrary. Nonetheless, the district court denied the motions to dismiss and for summary judgment without explanation and without indicating what facts were in dispute as required by Rule 56(d), Fed. R. Civ. P. JApp. 1700.

For two weeks in December of 1993, the infringement and unfair competition claims were tried to a jury. Because the district court erred in refusing to dispose of the counterclaim prior to trial, respondents were permitted to present evidence and argument regarding petitioner's alleged "bad faith" and anticompetitive motives. Respondents wholeheartedly seized the opportunity to bombard the jury with "evidence" and argument concerning petitioner's alleged bad faith and the injury it had caused. From the opening statement to the closing argument, petitioner's alleged anticompetitive motives and the damages suffered by respondents formed the cornerstone of respondents' case. *The parties called twenty witnesses during trial, nine of whom gave testimony regarding unfair competition*. All but two of these were called by respondents.

At trial, respondents never tried to refute the objective merit of petitioner's infringement claim. Petitioner therefore moved for judgment as a matter of law on the counterclaim at the close of respondents' case. JApp. 5988-89. Despite petitioner's vigorous objection that submission of the unfair competition issue to the jury would lead to confusion and prejudice, the motion was denied without explanation. Petitioner again moved for judgment as a matter of law at the close of all evidence and objected to submission of the counterclaim to the jury; both motions were denied. JApp. 5989, 6131.

During closing argument, respondents' counsel deliberately attempted to convince the jury that unfair competition and infringement were opposite sides of the same coin, repeatedly characterizing the two claims as inextricably intertwined. *See, e.g.*, JApp. 6131, 6133. Indeed, by the end of trial, respondents

even had the trial judge convinced that the two claims were intertwined. JApp. 5990. If the judge was confused, there can be no doubt that the jury was at sea.

In this context, the jury was forced to consider and deliberate on all of respondents' evidence and argument that petitioner's motives were evil and that respondents had suffered enough at the hands of petitioner. At the same time, the jury was also asked to decide the issue of infringement under the doctrine of equivalents with specific instructions to weigh the equities between the parties in the course of its determination. JApp. 6174. The jury returned a verdict in petitioner's favor on all issues except infringement.

Only in its denial of petitioner's motion for a new trial did the district court provide any reasoning to support its refusal to dismiss the counterclaim. Conceding that *Professional Real Estate Investors* controlled, the district court incorrectly asserted that petitioner's immunity "could only have come about if at some time during these proceedings I would have determined as a matter of law, that their lawsuit was not objectively baseless." App. A-20. This *post hoc* explanation is plainly wrong. *Professional Real Estate Investors*, *supra*, demonstrates that the existence of the immunity is not conditioned on a trial judge's formal determination. The immunity automatically flows from the constitutional right to petition, and respondents' challenge to that immunity was refuted by petitioner's uncontroverted showing of probable cause to bring its suit.

On June 29, 1995, a panel of the Federal Circuit affirmed the district court's judgment. Regrettably, the panel opinion nowhere provides any indication of the pervasiveness of respondents' truly outrageous bad faith allegations at trial.[2] Nor did

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[2] For example, respondents asserted at trial that they had already suffered damages of $170,000,000, an amount which dwarfed that sought by petitioners by nearly four times. JApp. 5426, 5433, and 5934-35. Respondents then had the temerity to demand that the jury "send a message" to

the panel squarely address whether the district court erred in refusing to strike respondents' counterclaim. After setting forth the facts related to the proceedings in the district court, the panel proceeded to give its opinion "assuming that the alleged errors occurred." App. A-10. The panel then declared the error harmless.

Simply because the jury had decided against respondents on the counterclaim, the panel mistakenly presumed that the jury necessarily rejected respondents' improperly admitted evidence, and thus its admission must have been harmless. In so ruling, the panel propounded a novel *per se* rule of law: *that a jury ruling in one party's favor on an opposing party's claim necessarily implies that the jury has rejected the losing party's evidence for all purposes.*

As a separate ground for appeal, petitioner had argued that the district court erred in directing the jury to weigh equitable considerations in determining infringement under the doctrine of equivalents. In vacating the preliminary injunction, the panel majority had issued instructions that equitable factors *must* be proven prior to application of the doctrine of equivalents. *American Home Prods. Corp.*, 25 U.S.P.Q.2d at 1956-57. Faced with this mandate from the Federal Circuit, the district court was forced to instruct the jury to consider equitable factors in its infringement determination. On appeal after trial, petitioner contended that this was error.

The Federal Circuit panel failed to address this issue, noting that the question of "who decides" such issues was before the Federal Circuit *in banc* in the then-pending case of *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995), and leaving "the exposition of the doctrine to

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petitioner by awarding an additional $170,000,000 in punitive damages. JApp. 6151. Despite having lost before the jury, respondents are now seeking the same damages in a separate action. *Johnson & Johnson and Ortho Corp. v. American Home Prods. Corp.*, No. 94-CV-1388 (E.D. Pa. filed February 25, 1994).

the in banc court in that case." The panel stated only that the district court's actions were "consistent with the earlier panel decision in this case." App. A-7.

Petitioner petitioned for rehearing and suggested rehearing *in banc*, arguing, *inter alia*, that the panel's newly fashioned *per se* rule of harmless error is contrary to controlling Third Circuit precedent, eviscerates *Professional Real Estate Investors* and has an especially profound and destructive impact upon any federal statutory scheme that confers a limited monopoly. The Federal Circuit's doctrine, moreover, encourages infringement defendants to file frivolous counterclaims attacking the patentee's motives and alleging harm suffered by defendants — and, by implication, the general public who do not "benefit" from free competition. Petitioner further argued that the panel's refusal to address the district court's errors on doctrine of equivalents issues was inconsistent with the Federal Circuit's obligations under Article III of the Constitution and the statutes governing its appellate jurisdiction. Petitioner's petition and suggestion were denied without comment on August 9, 1995. App. A-15.

REASONS FOR GRANTING THE WRIT

I. The Harmless Error Rule Announced by the Federal Circuit Panel Eviscerates *Professional Real Estate* and Threatens Special Harms to Any Federal Statute that Confers A Limited Monopoly

In declaring the admission of a barrage of "evidence" and argument related to petitioner's alleged bad faith harmless, the panel framed this issue as

> whether evidence improperly admitted in support of a claim denied by the jury might nevertheless so prejudice that jury's verdict on other claims as to warrant reversal.

App. A-10. The question of whether the infringement verdict was affected by the improperly admitted evidence was, however, never reached. Because the jury decided against respondents on the counterclaim, the panel mistakenly presumed that the jury necessarily rejected respondents' improperly admitted evidence, and thus its admission must have been harmless. The panel noted that the jury found respondents' unfair competition evidence generally insufficient to support a verdict in respondents' favor. The panel then asserted:

> Though the reasons for the jury's general verdict are of course not spelled out, we are left with the inescapable conclusion that it chose not to credit [respondents'] evidence of [petitioner's] bad faith.

App. A-11.

The panel's "inescapable conclusion" is, at bottom, a newly fashioned rule of law: that a jury ruling in one party's favor on an opposing party's claim necessarily implies that the jury has rejected all of the losing party's evidence for all purposes. This *per se* doctrine is far from self-evident.[3] Indeed, it ignores

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[3] Moreover, the panel's approach is completely at odds with controlling Third Circuit precedent, with which it purports to be "in accord." Third Circuit law holds that an error cannot be harmless unless it is "highly probable

the practical realities of what a jury does in weighing evidence.[4] No close examination was undertaken of the obvious prejudice resulting from distracting the jury from the real issues in the case with a large number of witnesses and alleged evidence that suit was wrongfully brought for anti-competitive purposes. Instead, the panel removed any need to inspect for potential prejudice by basing its rule on a sweeping and dubious conclusion that the jury — and any jury — necessarily rejected and was not influenced by respondents' evidence when it rejected the asserted cause of action. In short, the panel used the jury's verdict in petitioner's favor to whitewash the error.

This Court has addressed harmless error in admission of jury evidence in decisions too numerous to even cite. Suffice here to say that the Court has understood the harmless error doctrine to require a close attention to the actualities of the record before it. *See, e.g., Tipton v. Socony Mobil Oil Co.*, 375 U.S. 34, 35-36 (1963). This Court's decisions make plain that harmless error analysis is not amenable to categorical rules based upon unproven assumptions as to how a jury functions. Harmless error doctrine "is not a license for judicial invasion of the issue resolving province constitutionally reserved to the jury." Monaghan, *Harmless Error and the Valid Rule Requirement*, 1989 S.Ct. Rev. 195, 200.

The categorical harmless error rule adopted by the panel infringes on the function of the jury. The panel cited isolated evidence from respondents torn from the record that might

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that the error did not contribute to the judgment." *Advanced Medical, Inc. v. Arden Medical Sys., Inc.*, 955 F.2d 188, 199 (3d Cir. 1992).

[4] The panel's conclusion that the jury discredited J&J's bad faith "evidence" is by no means "inescapable." One cannot assume that finding for one side means that the jury believed all evidence for and disbelieved all evidence against. Indeed, the most plausible conclusion is that the jury accepted AHP's evidence of objective merit and rejected the counterclaim while being influenced by J&J's inflammatory evidence of subjective motives when ruling against AHP on the infringement claim.

support a verdict on non-infringement. App. A-11. In fact, the panel had no way of knowing how the jury reached its decision. However, where there is evidence to support both parties' infringement positions, and where the prejudicial evidence was pervasive and infringed on a constitutional right, one cannot dispel the risk that error may play a substantial role in the jury's deliberations and therefore contributed to the verdict reached. For error to be harmless, "it [must] *affirmatively* appear[] from the whole record that it was not prejudicial." *McCandless v. United States*, 298 U.S. 342, 348 (1936) (emphasis in original).

The panel's categorical rule effectively demolishes the immunity from antitrust and unfair competition counterclaims afforded litigants with objectively reasonable claims, as in the present case. *See Professional Real Estate Investors*, 113 S.Ct. at 1926-28. Indeed, because of the obvious prejudice inherent in allegations of bad faith and anticompetitive motivation, failure to dismiss insufficient sham litigation counterclaims may justify a *per se* rule of *harmful* error, since they threaten to eviscerate the federal right of petition.

More importantly, the Federal Circuit panel's newly fashioned *per se* rule has extremely destructive consequences in administration of the Patent Statute or any other statutory scheme conferring a limited monopoly. As this Court recognized in *Professional Real Estate Investors*, conditioning the exercise of patent rights or copyright upon a demonstrated lack of anticompetitive intent is incompatible with the purpose for which such "limited grants of monopoly privileges" were created — "to promote the progress of science and the useful arts" while providing the public access to authors' and inventors' works. *Id.* at 1930; U.S. Const. art. I, § 8, cl. 8.

Indeed, the panel's rule greatly encourages the filing of frivolous counterclaims in such suits. Under its rule, a defendant has a great incentive to file an immediate counterclaim attacking the plaintiff's "anticompetitive" motives for bringing

suit, no matter how obvious it is that the attack is meritless and that it is designed to confuse and prejudice the jury. Indeed, the more frivolous the counterclaim and the more outlandish the allegations, the better off the defendant should be. When the defendant does not prevail on the counterclaim, the admission of motive evidence thereunder must be regarded as harmless to the plaintiff's claim. Meanwhile, the defendant has achieved his aim, as respondents did here: to characterize the plaintiff as evil for exercising the very rights Congress granted and therefore prejudicing relief on the plaintiff's Congressionally authorized right of action to restrain infringement.

II. The Panel's Refusal to Rule on Erroneous Jury Instructions Deprived Petitioner of Its Right to Appeal and Is Inconsistent with Basic Norms of Judicial Review

The district court charged the jury that infringement under the doctrine of equivalents rested on a determination of equitable considerations.[5] Petitioner's appeal to the Federal Circuit urged error in this charge.[6] The Federal Circuit failed to address

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[5] The district court instructed the jury as follows:

> And members of the jury, I'm now going to discuss with you the doctrine of equivalents, and the circumstances under which you should apply it. The burden is on [petitioners] to show that the circumstances and equities make the doctrine of equivalents applicable. JApp. 6174.

[6] Petitioner presented the issue on appeal as:

> Did the district court commit reversible error:
>
> . . .
>
> (ii)(a) in directing the jury to weigh equitable considerations in determining infringement under the doctrine of equivalents. Appellant's Brief at 2.

Petitioner did not object to these instructions at trial. The lack of an objection at the trial level, particulary in view of the earlier

this issue in view of its impending decision in *Hilton Davis*, yet also declined to defer resolution of this case pending the outcome of *Hilton Davis*. Instead, the panel merely stated that the charge was "consistent" with the earlier panel's statement of the law on the preliminary injunction appeal[7] and rejected petitioner's appeal. After the panel's decision and during the pendency of the petition for rehearing, the *in banc* Federal Circuit confirmed in *Hilton Davis* that requiring proof of equitable considerations for infringement under the doctrine of equivalents is improper.[8] Thus, there can be no doubt that the district court's instructions were erroneous.

The Federal Circuit's appellate jurisdiction in this case was not discretionary. 28 U.S.C. §§ 1291 and 1295. Petitioner is entitled to a review of the sufficiency of the district court's jury charge. The panel's improper refusal to entertain the merits of petitioner's argument deprived petitioner of this right.

Moreover, since the appeal in this case was pending when the Federal Circuit ruled in *Hilton Davis*, the Federal Circuit was obliged to review the erroneous jury charge in light of that case's exposition of the law. *See Reynoldsville Casket Co. v. Hyde*, 115 S.Ct. 1745, 1748 (1995); *Harper v. Virginia Dept. of Taxation*, 113 S.Ct. 2510, 2517 (1993). The panel's bare statement that the district court's charge was "consistent with" the earlier panel opinion on the appeal from the preliminary injunction is incompatible with its obligations as a reviewing court.

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panel's instructions in the preliminary injunction appeal, is not determinative of petitioner's right to a new trial. *Hormel v. Helvering*, 312 U.S. 552, 556-59 (1941); *Turner v. City of Memphis*, 369 U.S. 350 (1962).

[7] The panel on the preliminary injunction stated that the doctrine of equivalents "is an equitable remedy" and that petitioner "must put forth proof of the equities." *American Home Prods.*, 25 U.S.P.Q. 2d at 1956.

[8] "The doctrine of equivalents is not an equitable remedy available only on a showing of the equities." *Hilton Davis*, 62 F.3d at 1523.

The question is whether the district court's jury charge was right, not whether it was "consistent with" the previous opinion. Indeed, the court in *Hilton Davis* explicitly rejected the earlier panel majority's ruling that invocation of the doctrine of equivalents requires a separate equitable showing. The district court's jury charge therefore was "consistent with" a legally flawed panel opinion.[9]

The panel's refusal to apply the *Hilton Davis* exposition of the law has, in effect, made that exposition prospective only and its application selective. Accordingly, the panel has violated the "basic norms of constitutional adjudication." *Harper*, 113 S.Ct. at 2517. This Court, in the exercise of its supervisory power, should rectify this departure from appellate responsibility through summary reversal and require the Federal Circuit to address petitioner's right to a new trial based on the conflict between the opinion in *Hilton Davis* and the district court's jury instructions.

CONCLUSION

The district court's refusal to dismiss the unfair competition counterclaim permitted respondents to attack the petitioner's effort to enforce its patent as bad faith amounting to illegal conduct. This led to highly personal attacks on petitioner and its witnesses and their motives. At the same time, the district court asserted that a finding of infringement required a weighing of equitable considerations. These two errors compounded each other and poisoned the prospect for a fair trial. The jurors were

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[9] There can be no doubt that the panel's opinion incorrectly stated the law, as respondents' counsel has admitted in a recent publication. Gelernter and Lewis, *Patent Infringement Under the Doctrine of Equivalents*, N.Y.L.J., September 19, 1995 at 1,4. According to respondents' counsel, the decision in *Hilton Davis* — a major doctrine of equivalents case — "confounded [] expectations," raised in part by this case, that the Federal Circuit was about to move to a new doctrine of equivalents test requiring an equitable showing. *Id.*

wrongfully diverted from the patent infringement issue by the spurious claim of unfair competition; this distraction was increased by the wrongful focus on "equitable" considerations inappropriate to resolution of the infringement issue.

The Federal Circuit's decision threatens to eviscerate the federal right of petition, as set forth in this Court's opinion in *Professional Real Estate Investors,* by conditioning the exercise of patent rights on a demonstrated lack of anticompetitive intent, and actually encourages the type of conduct at issue here. 113 S.Ct. at 1930. Moreover, the Federal Circuit's failure to apply its *Hilton Davis* exposition of the law to this pending case places the expediency of efficiently clearing its docket above the accepted norms of judicial review. The selective application of *Hilton Davis* by the Federal Circuit requires this Court's supervisory authority.

For the reasons set forth above, this Court should grant this petition for *certiorari*.

Respectfully submitted,

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Dated: November 7, 1995

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

OPINION ANNOUNCING
JUDGMENT OF THE COURT

OPINION FILED AND JUDGMENT ENTERED:
June 29, 1995

The attached opinion announcing the judgment of the court in your case was filed today. The judgment was entered pursuant to Rule 36. The mandate will be issued in due course.

Information is also provided about petitions for rehearing and suggestions for rehearing in banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

Each side shall bear its own costs.

Exhibit and visual aids shall be promptly retrieved by the party that lodged them with this court.

FRANCIS X. GINDHART
Clerk

cc: PAUL H. HELLER
DAVID F. DOBBINS

AMER HOME PROD V. JOHNSON & JOHNSON, 94-1209, -1210
(DCT - 91-5594)

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

94-1209, 1210

AMERICAN HOME PRODUCTS CORPORATION
and HERCHEL SMITH,
Plaintiffs-Appellant,

v.

JOHNSON & JOHNSON and
ORTHO PHARMACEUTICAL CORPORATION,
Defendants/Cross-Appellants.

DECIDED: June 29, 1995

Before MAYER, Circuit Judge, BENNETT, Senior Circuit Judge, and PLAGER, Circuit Judge. MAYER, Circuit Judge.

American Home Products Corporation and Herchel Smith appeal from an order denying their motion for judgment as a matter of law or, in the alternative, for a new trial, as well as from a judgment of the United States District Court for the Eastern District of Pennsylvania, No. 91-5594 (E.D. Pa. Dec. 21, 1994, as amended Jan. 3, 1995). Johnson & Johnson Corporation and Ortho Pharmaceutical Corporation cross-appeal. The judgment was entered in accordance with a jury verdict that defendants Johnson & Johnson Corporation and Ortho Pharmaceutical Corporation has not infringed United States Patent No. 4,002,746 and that American Home Products Corporation had not committed unfair competition. Because we conclude that

any error was harmless, we affirm the judgment of the district court in all respects.

Background

American Home Products Corporation and Herchel Smith (collectively AHP) are exclusive licensee and assignee, respectively, of United States Patent No. 4,002,'746 (the '746 patent), entitled "Synthesis of Gon-4-enes." The patent claims both a class of progestationally active compositions and a method of using those compositions. At issue here is claim 6 of the '746 patent, added after reexamination, which reads:

> A method of preventing conception in a female which comprises administering a therapeutic composition comprising a progestationally effective amount of 17α-ethynyl-18-methyl-19-nortestosterone 17-acetate [norgestrel acetate] and a pharmaceutical carrier.

In addition to the '746 patent, AHP was previously the owner of a number of related patents, including No. 3,959,322 (the '322 patent). The '322 patent claimed compositions of norgestrel acetate and 17α-ethynyl-18-methyl-19-nortestosterone [norgestrel], which differs form norgestrel acetate only in the presence of a hydroxy group, rather than an acetate group, at the 17-position on the steriod skeleton. The '322 patent expired on November 26, 1991.

Like AHP, Johnson & Johnson Corporation and Ortho Pharmaceutical Corporation (collectively J&J) manufacture and market contraceptives. Of particular relevance here is J&J's norgestimate contraceptive, which is structurally related to the class of compounds protected by AHP's patents. Norgestimate differs from norgestrel acetate only in the presence of an oxime group, rather than a ketone, at the 3-position.

In January of 1990, Ortho Pharmaceutical filed an action for a declaratory judgment that the '322 patent was invalid. AHP filed a counterclaim alleging the norgestimate infringed

the patent, and named Johnson & Johnson as an additional defendant. After a bench trial, the district court held that claims 5,19, 40 and 43 of the '322 patent were not invalid, and found that J&J's norgestimate infringed the claims either directly or under the doctrine of equivalents. *Ortho Pharmaceutical Corp. v. Smith,* 18 USPQ2d 1977, 1985-86 (E.D. Pa. 1990), *aff'd*, 959 F.2d 936, 22 USPQ2d 1119 (Fed. Cir. 1992). The district court enjoined J&J from making, using, or selling norgestimate product until the '322 patent expired in November of 1991, *Id.* J&J did not appeal the infringement findings.[1]

On June 4, 1990, shortly before the *Ortho* case went to trial, AHP filed a request in the Patent and Trademark Office for reexamination of the '746 patent. As a result of reexamination, on September 3, 1991, the examiner confirmed the patentability of claims 1 through 5 of the '746 patent, and determined that new claim 6 was patentable as well. That same day, AHP filed this suit alleging that J&J was preparing to infringe claim 6 of the newly reexamined '746 patent by marketing a norgestimate-containing oral contraceptive after the '322 patent expired in November 1991. AHP also moved for a preliminary injunction.

AHP contended that the use of norgestimate infringed the '746 patent under the doctrine of equivalents, proffering two theories of infringement. First, it suggested that norgestimate and norgestrel acetate are equivalent became each is equivalent to norgestrel. To support this "double equivalence" theory, AHP pointed to the ruling in *Ortho* that norgestimate infringed claim 19 of the '322 patent, which covers the compound norgestrel acetate.[2] AHP said that prior

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[1] J&J's appeal in *Ortho* was limited to the question of invalidity of the '322 patent under the doctrine of double patenting. *Ortho Pharmaceutical Corp. v. Smith,* 959 F.2d 936 F.2d 936, 940, 22 USPQ2d 1119, 1122 (Fed. Cir. 1992). This court affirmed the trial court's holding that the patent was not invalid. *Id.* at 943, 22 USPQ2d at 1125.

judgment showed that it would probably succeed in showing that the use of norgestimate infringed the method of using norgestrel acetate covered by claim 6 of the '746 patent as well.

In the alternative, AHP argued that the use of norgestimate infringes claim 6 because norgestimate metabolizes in the body to norgestrel via norgestrel acetate, and that the existence of norgestrel acetate as an intermediate in this pathway amounts to infringement under the doctrine of equivalents. J&J disagreed, contending that the body's metabolism of norgestimate did not produce norgestrel acetate in sufficient amounts to meet the"progestationally effective amount" limitation found in claim 6. J&J also moved for summary judgment on the defense of res judicata, arguing that AHP's infringement suit was barred by the earlier *Ortho* litigation.

The district court granted the motion for a preliminary injunction and denied J&J's motion for summary judgment. *American Home Products Corp. v. Johnson & Johnson Corp.*, 22 USPQ2d 1561, 1568 (E.D. Pa. 1991) (order granting preliminary injunction). J&J appealed to this court, and, while its appeal was pending, filed answer in the district court denying infringement. J&J also asserted a counterclaim for unfair competition, alleging that AHP had filed its infringement suit in bad faith. AHP moved to dismiss the counterclaim, and, in the alternative, for summary judgment. The district court denied these motions.

A divided panel of this court vacated the order granting the injunction. *American Home Products Corp. v. Johnson & Johnson Corp.*, 979 F.2d 216, 25 USPQ2d 1954, 25 USPQ2d

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[2] Claim 19 of the '322 patent reads:

A compound of claim 1 [which sets forth a general class of steriods based on the gon-4-ene nucleus] which is 13B-ethyl-17a-ethynyl-17B-hydroxygon-4-en-3-one, acetate [norgestrel acetate].

1954 (Fed Cir. 1992) (nonprecedential opinion). The court rejected the double equivalence theory as an improper extension of patent protection beyond the seventeen year term of the patents protecting norgestrel and its uses. As for the direct equivalence theory, the court concluded that the record was inadequate to show whether enough norgestrel acetate was produced as norgestimate metabolized to norgestrel to satisfy the "progestationally effective amount" limitation of claim 6. The court also directed the district court to consider the equities relating to the doctrine of equivalents to determine whether its application was warranted in this case.[3]

The dissent, however, concluded that the district court had properly relied on *Ortho's* holding that norgestimate infringed claims to norgestrel acetate itself, that issue preclusion barred further consideration of the equivalence of the two compounds, and agreed with the district court that AHP had showed a likelihood of success on the merits.

A jury trial ensued, after which the judge submitted both the question of J&J's infringement under the doctrine of equivalents and of AHP's unfair competition to the jury. The jury returned a verdict for J&J on the infringement claim — that the use of norgestimate did not infringe claim 6 of the '746 patent — and on J&J's entered judgment in accordance with the jury's verdict on both the claim and the counterclaim, and later denied AHP's motion for a new trial. Both parties have appealed.

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[3] The question whether equitable considerations control application of the doctrine of equivalents is currently pending before this court in *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, No. 93-1088 (Fed. Cir. Argued Feb. 9, 1994)(in banc). We express no opinion on it here.

Discussion

AHP challenges the district court's denial of its motion for a new trial. We review that denial for abuse of discretion. *DMI, Inc. v. Deere & Co.,* 802 F.2d 421, 427, 231 USPQ 276, 280 (Fed. Cir. 1986). Under this standard, we must determine "whether an error occurred in the conduct of the trial that was so grievous as to have rendered the trial unfair." *Id.* AHP raises three instances of reversible error: first, the trial court's decision to allow the jury to decide the question of infringement under the doctrine of equivalent's; second, the failure to distinguish clearly between AHP's infringement claim and J&J's unfair competition counterclaim in the instructions to the jury; and third, the decision to let the jury hear evidence on and decide the unfair competition counterclaim.

First, AHP says it was error to let the jury decide infringement under the doctrine of equivalents because that is an equitable doctrine, the resolution of which falls to the judge, not the jury. On this point, we note only that the question of who decides infringement under the doctrine of equivalents is currently before this court in *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.,* No. 93-1088 (Fed. Cir. argued Feb. 9, 1994) (in banc); we leave the exposition of the doctrine to the in banc court in that case. We think, however, that the trial court's decision to submit the question to the jury was consistent with the earlier panel decision in this case.

Nor are we persuaded by AHP's argument that flawed jury instructions warrant reversal here. The instruction told the jury that to prove infringement under the doctrine of equivalents, "AHP must show that J&J used, copied, misappropriated or stole the patented invention without making any substantial changes so that equitable relief is necessary to prevent a fraud on the patent holder." The court then instructed the jury to consider a number of other factors in addition to the traditional three-part function/way/result test, including the prosecution history, the

substantiality of any change, and J&J's conduct in the design of its norgestimate product. [4]

On the unfair competition claim, the judge set out the relevant test, telling the jury that for J&J to succeed, it must first prove that AHP's suit was objectively baseless — that no reasonable litigant would expect to succeed — and that only then could the jury go on to consider AHP's motivation for bringing the suit.[5] *See Professional Real Estate v. Columbia Pictures Indus., Inc.,* 508 U.S. __ , 113 S. Ct. 1920, 1928 (1993) (*PRE*).

These instructions adequately point out the differences between the claim and the counterclaim. Thus instructed, the jury knew that the infringement claim was separate from the unfair competition counterclaim. It knew J&J's conduct was relevant to the former, while AHP's motivation in filing suit related to the latter. Taking the instructions as a whole, though

[4] On the question of equities, the court said, " Some factors which may be considered regarding equitities are as follows: whether J&J deisgned their norgestimate containing products with the knowledge of the metabolic pathways, and with the purpose of circumventing the ''746 patent; whether norgestimate is an insubstantial change over norgestrel acetate, particularly in light of the '019 patent for norgestimate; whether at the time of filing AHP recognied that norgestrel acetate was a prodrug for norgestrel and that J&J misappropriated that knowledge in c reating norgestimate; and whether AHP obtained its patent by imposing limitations on its claim by amendment or argument during the prosecution to avoid prior art."

[5] The judge instruced the jury that to succeed on its unfair competition counterclaim: First J&J must provide by clear and convincing evidence that this lawsuit is objectively baseless in the sense that no reasonable litigant could realistically expect to succeed. If a patent owner would objectively conclude that he has a reasonable change of winning the suit, then he is immune from a claim of unfair competition. Only if you find that this litigation is objectively meritless, may you then examine the second part of the two-part test, which is the ligigant's objective [sic] motivation in bringing the suit. To meet this part, J&J must prove by clear and convincing evidence that this suit is an attempt to interfere directly with the business relationships of a competitor.

perhaps not perfect, we cannot say they misled the jury. *See Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 415, 25 USPQ2d 1447, 1451 (Fed. Cir. 1993).

We turn finally to AHP's contention that the district court erred in letting the jury decide the unfair competition counterclaim. AHP says that it is immune from liability for unfair competition because its lawsuit was a legitimate attempt to enforce its patent, citing a line of cases beginning with *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.* 365 U.S. 127, 144 (1961).[6] *See also PRE*, 508 U.S. at __, 113 S. Ct. At 1928; *Carroll Touch v. Electro Mechanical Sys.*, 15 F. 3d 1573, 1582 (Fed. Cir. 1993). J&J responds that AHP's suit falls within an exception to this immunity, under which immunity does not extend to activity only "ostensibly directed toward influencing governmental action, [that] is a mere sham to cover what is actually nothing more than an attempt to interferer directly with the business relationships of a competitor." *Noerr*, 365 U.S. at 144.

AHP maintains that the exception to *Noerr* does not apply because its lawsuit is not a sham, as the Supreme Court defined that term in *PRE*. According to that case, the party alleging antitrust violations must first prove that the lawsuit is "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." 113 S. Ct. at 1928. The litigant's subjective motivation in bringing suit comes into play only after this first, objective, prong is met. AHP says the trial should have disposed of the counterclaim as a matter of law. It contends that J&J's evidence of unfair competition went

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[6] Although *Noerr* is directed to immunity from suit under federal antitrust laws, we assume, as the parties have not suggested otherwise, that the same principles would apply to AHP's assertions of immunity from suit under the law of unfair competion at issue here. *Cf. Carroll Touch v. Electro Mechanical Sys.*, 15 F. 3d 1573, 1582 n.9 (Fed. Cir. 1993)(assuming *Noerr* applies to state unfair competion law).

entirely to AHP's alleged subjective bad faith, and that there was no evidence that an objective litigant would not have expected to succeed on AHP's infringement claim. Accordingly, says AHP, the unfair competition counterclaim did not meet the first part of the two-part *PRE* test for sham litigation, and the jury should not have been allowed to consider J&J's evidence of subjective bad faith. AHP says this error unfairly prejudiced its case against J&J.

But even assuming that the alleged errors occurred, we are not persuaded that AHP deserves a new trial; one is entitled only to a fair trial, not a perfect one. *See Devices for Medicine v. Boehl,* 822 F.2d 1062, 1066, 3 USPQ2d 1288, 1292 (Fed. Cir. 1987). The erroneous submission of evidence to a jury requires a retrial only if the error affects " the substantial rights of the parties." 28 U.S.C. § 2111 (1988); Fed. R. Civ. P. 61 ("No error . . . is ground for granting a new trial or of setting aside a verdict . . . unless refusal to take such action appears to the court inconsistent with substantial justice."). We do not believe the alleged error affected AHP's substantial rights.

AHP argues that the district court's decision to let the jury hear and consider evidence and argument about its alleged bad faith created "a substantial danger that the jury's finding of noninfringement may have been based on J&J's arguments concerning 'bad faith.' " AHP contends that in a case of this complexity, the erroneous submission of this evidence to the jury almost certainly confused and prejudiced the jury, resulting in a fatally tainted verdict of noninfringement. But the facts here raise a special question — whether evidence improperly admitted in support of a claim denied by the jury might nevertheless so prejudice that jury's verdict on other claims as to warrant reversal.

In this case, the answer to that question is no. Perhaps the jury should not have heard the evidence of AHP's alleged bad faith. It is even possible that the jury's deliberations were

affected by this evidence. Nevertheless, we do not lightly dismiss the jury's decision, for it found against J&J on the unfair competition claim. There is simply no indication that the jury was unduly influenced in its deliberations on the infringement claim by J&J's evidence of unfair competition; indeed, it found that evidence insufficient to support a verdict in J&J's favor. Though the reasons for the jury's general verdict are of course not spelled out, we are left with the inescapable conclusion that it chose not to credit J&J's evidence of AHP's bad faith.

Nor is there any reason to believe that the jury would have reach a result favorable to AHP if the alleged error were corrected. In addition to the allegedly improper evidence, the jury heard substantial evidence that claim 6 of the '746 patent, properly construed in light of the prior art and AHP's other patents, does not read on the accused use of norgestimate contraceptives. The judge explained the claim and counterclaim to the jury with the adequate instructions. The jury considered the evidence in accordance with these instructions, concluding that J&J had not infringed the patent and that AHP had not engaged in unfair competition. AHP got a fair trial on its claim of infringement; that is all the law demands.

Our ruling is in accord with the law of the Third Circuit, whose law controls on procedural matters in this case. *See Biodex Corp. v. Loredan Biomedical, Inc.*. 946 F.2d 850, 857, 20 USPQ2d 1252, 1258 (Fed. Cir. 1991). In the Third Circuit, "[a] determination of harmless error depends on whether 'it is highly probable that the error did not contribute to the judgment.'" *Advanced Medical v. Arden Medical Sys.*, 955 F.2d 188, 199 (3rd Cir. 1992) (citation omitted). *Lockhart v. Westinghouse Credit Corp.*, 879 F.2d 43 (3rd Cir. 1989), *disapproved on other grounds, Hazen Paper Co. v. Biggins,* 507 U.S. __, 113 S. Ct. 1701, 1709 (1993), applied this standard to facts strikingly similar to those in our case and held the error harmless.

In *Lockhart*, the district court improperly joined two of Lockhart's coworkers Wilson and Bradley, as co-plaintiffs in an age discrimination suit against their employer, WCC. The jury eventually returned a verdict that WCC had illegally terminated Lockhart and Durham, but found that the termination of Wilson and Bradley was not improper. WCC moved for a new trial, which the district court denied. WCC then appealed, arguing, *inter alia,* that Wilson and Bradley were improperly joined as plaintiffs and that this error unfairly prejudiced its defense against the claims of Lockhart and Durham. WCC maintained that the jury was allowed to hear the cumulative testimony of Wilson and Bradley and that this testimony created a " spill-over effect" on the jury which might have led it to reach a " compromise verdict" in favor of some of the plaintiffs. 879 F.2d at 53.

The Court of Appeals disagreed, reasoning that to hold for WCC " would be to create a basis for reversing *every* case on the speculative assertion that testimony of improperly joined plaintiffs 'spilled-over' into the jury's findings of discrimination with respect to those plaintiffs properly joined." *Id.* The court declined " to adopt such a far-reaching rule, especially where, as here, the testimony and proffered evidence of the improperly joined plaintiffs was insufficient to support a jury's verdict in their favor." *Id.* The court rejected WCC's " compromise verdict" theory and declined the invitation "to indulge in unsubstantiated and speculative assertions" that the jury verdict was somehow prejudiced. *Id.* at 54

In our case, like *Lockhart*, the district court allegedly erred in letting the jury hear evidence admitted in support of a claim that should not have gone to the jury. The appellant in each case argued that the jury's eventual verdict against it was unfairly prejudiced by this error. But the Third Circuit disagreed, as we do today, holding that the jury's apparent rejection of the alleged improper evidence vitiated the claim of unfair prejudice. That court concluded that it would required idle speculation to discard

the jury's verdict. AHP asked us to indulge in the same sort of speculation here, and we decline. If error occurred, it was harmless.

We have considered J&J's arguments on its cross-appeal, but concluded that they have no merit. Even if J&J is correct that AHP's suit was barred by res judicata, that error was harmless. The district court also did not abuse its discretion in declining to declare this an exceptional case and denying attorney fees.

Conclusion

Accordingly, the judgments of the United States District Court for the Eastern District of Pennsylvania is affirmed.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

94-1209,-1210

AMERICAN HOME PRODUCTS CORPORATION
and HERCHEL SMITH,
Plaintiffs-Appellants,

v.

JOHNSON & JOHNSON and
Ortho PHARMACEUTICAL CORPORATION,
Defendants/Cross-Appellants.

ORDER

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ORDER

Filed
U.S. Court of Appeals For The Federal Circuit
Aug. 9, 1995
FRANCIS X. GINDHART,
Clerk

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on August 16, 1995.

Circuit Judge LOURIE and Circuit Judge SCHALL did not participate in the vote.

FOR THE COURT,
FRANCIS X. GINDHART,
CLERK

Dated: August 9, 1995

By: /s/ Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: PAUL H. HELLER
DAVID F. DOBBINS

AMER HOME PROD v. JOHNSON & JOHNSON, 94-1209 (DCT - 91-5594)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

AMERICAN HOME PRODUCTS

v.

JOHNSON & JOHNSON

Civil Action No. 91-5594

Filed: December 21, 1993

CIVIL JUDGMENT

Before the Honorable Ronald L. Buckwalter

AND NOW, this 20th day of December, 1993, in accordance with the VERDICT of the Jury,

IT IS ORDERED that Judgment be and the same is hereby entered in favor of Defendant Johnson & Johnson and against Plaintiff on Plaintiff's claim. Judgment is also entered in favor of Plaintiff American Home Products and against Defendant Johnson and Johnson on Defendant's claim.

BY THE COURT

ATTEST: /s/ Mathew J. Higgins
Matthew J. Higgins
Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

AMERICAN HOME PRODUCTS and
HERSHAL SMITH

v.

JOHNSON & JOHNSON and ORTHO
PHARMACEUTICAL CORP.

Civil Action No. 91-5594

Filed: January 3, 1994

CIVIL JUDGMENT

Before the Honorable Ronald L. Buckwalter

AND NOW, this 3rd day of January 1994, in accordance wit the VERDICT of the Jury,

IT IS ORDERED that the Judgment entered December 21, 1993 be Amended as follows: It is Ordered that judgment be and the same is hereby entered in favor of Defendants Johnson & Johnson and Ortho Pharmaceutical Corp. and against Plaintiffs American Home Products and Hershal Smith on Plaintiffs claim. Judgment is also entered in favor of Plaintiffs American Home Products and Hershal Smith and against defendants Johnson & Johnson and Ortho Pharmaceutical Corp. on defendants claim.

BY THE COURT

ATTEST: /s/ Matthew J. Higgins
Mathew J. Higgins
Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Filed: February 15, 1994
Civil Action No. 91-5594

AMERICAN HOME PRODUCTS CORPORATION
and HERCHEL SMITH,

Plaintiffs,

v.

JOHNSON & JOHNSON CORPORATION and
ORTHO PHARMACEUTICAL CORPORATION,

Defendants.

MEMORANDUM

BUCKWALTER, J. February 15, 1994

Plaintiff have filed a motion for a new trial under Rule 59(a), Fed. R. Civ. P.

The sole basis for this motion is that defendants' unfair competition counterclaim should have been dismissed prior to its submission to the jury pursuant to plaintiffs' motion to dismiss and plaintiffs' motion for a directed verdict. Alternatively, plaintiffs' motion to have defendants' counterclaim for unfair competition tried without a jury should have been granted.

It is plaintiffs' contention that the court's erroneous rulings on the above motions resulted in its improperly admitting evidence before the jury on the defendants' unfair competition counterclaim and this in turn unfairly prejudiced AHP's case of infringement under the equitable doctrine of equivalents.

Virtually the entire thrust of plaintiff's argument is premised upon the ruling in *Professional Investors, Inc. v. Columbia*

Pictures Industries, Inc. 113 S.Ct. 1920 (1993), in which the court stated that "whether applying *Noerr* as an antitrust doctrine or invoking it in other contexts, we have repeatedly reaffirmed that evidence of anti-competitive intent or purpose alone cannot transform otherwise legitimate activity into a sham", at p. 1927. The holding as expressed in Justice Souter's concurring opinion was " that a person cannot incur antitrust liability merely by bringing a lawsuit as long as the suit is not " objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits", at p. 1931.

In terms of the present motion, plaintiffs argue that the holding in *Professional Real Estate Investors, Inc.* immunized them from claims such as J&J's unfair competition counter-claim, as long as plaintiffs' lawsuit was not objectively baseless.

While plaintiffs' statement of the law appears to be correct, the "grant of immunity" to which they refer could only have come about if at some time during these proceedings I would have determined as a matter of law, that their lawsuit was not objectively baseless.

I declined to do that throughout these proceedings because the question of objectively baseless was a mixed one of fact and law. For example, it was never clear exactly what information plaintiffs had about the metabolism of norgestimate before this suit was brought. To make a determination whether the AHP infringement claim was objectively baseless or not, among other things, a fact finder must consider what information AHP relied, before filing the suit. There was no way I could determine that as a matter of law.

Instead, without objection, I instructed the jury that before they could even consider whether AHP's subjective intent was to unfairly compete with J&J, it must first find that J&J had proved by clear and convincing evidence that AHP's suit for infringement was objectively baseless.

AHP also contends that the lack of a factual overlap between the equitable issues and the jury issues favored trial of the equitable defenses without a jury in order to prevent jury confusion. The case AHP offers in support of this position was one in which the plaintiff made a claim under the Veterans Reemployment Rights Act for reinstatement to employment and compensation for lost wages. In that case, *Troy v. City of Hampton*, 756 F.2d 1000 (4th Cir. 1985), the court found a clear congressional intent that cases under the Act would be handled non-jury. I find this case to be inapposite to the one now before the court. Moreover, there was certainly a factual overlap as to virtually all issues in this case.

Finally, in order to grant plaintiffs' motion, any error made by the court must be so prejudicial that the refusal to grant a new trial would be inconsistent with substantial justice.

Although the plaintiffs argue in this regard that an " enormous amount of testimony and argument on alleged bad faith" would have been excluded if the issues had been properly narrowed, and that "such evidence was unquestionably prejudicial on the issue of whether the equities in this case make the doctrine of equivalents applicable (p. 3 of plaintiffs' reply memorandum), the plaintiffs really do not support their conclusions with concise reasons as to why their case was unquestionably prejudiced.

Finally, it should be noted that plaintiffs did not object to the written instructions passed out to the jury which together with the jury interrogatories clearly delineated the respective claims of the parties.

Finding no error that would warrant the granting of plaintiffs' motion, I enter the following order:

ORDER

AND NOW, this 15th day of February, 1994, it is hereby ORDERED that plaintiffs' motion for a new trial (Docket No. 108) is DENIED.

BY THE COURT:

/s/
RONALD L. BUCKWALTER, J.

ENTERED: 2-16-94
CLERK OF COURT

(2) No. 95-731

Supreme Court, U.S.
DEC 6 1995
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

AMERICAN HOME PRODUCTS CORPORATION
and HERCHEL SMITH,

Petitioners,

—v.—

JOHNSON & JOHNSON and
ORTHO PHARMACEUTICAL CORPORATION,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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COUNTERSTATEMENT OF QUESTIONS PRESENTED FOR REVIEW

1. Is the issue of whether on the particular facts of this case there was no abuse of discretion by the trial court in denying a motion for a new trial an appropriate one for review by this court?

2. Is the legal sufficiency of an agreed upon jury charge whose content was never challenged, either in the trial court or appellate court, a proper subject for review by this court?

Counterstatement of the Case

Petitioner ("AHP") is simply wrong in asserting that the unfair competition counterclaim charging it with bad faith litigation in instituting and continuing to prosecute this case was "insufficient as a matter of law." (Pet. p. 3). There was never such a determination and this court should not make one. As discussed below, the record fairly reeked of AHP's bad faith in instituting and prosecuting the patent infringement action. Prior to the onset of discovery for trial on the merits and subsequent to the reversal of the preliminary injunction, AHP moved to dismiss or, in the alternative, for summary judgment on the unfair competition counterclaim. (JA 1088-89). The respondents -- the accused infringers below, Johnson & Johnson and Ortho Pharmaceutical Corporation (hereafter sometimes referred to as "J&J") -- submitted an affidavit under Rule 56(f), Fed.R.Civ.P. setting forth what facts J&J believed it would uncover during discovery which would establish the objective baselessness of the charge of infringement, and based on that affidavit (A4707-4708), the trial court denied summary judgment. (A18). At no time prior to the trial or following completion of discovery did AHP renew its motion for summary judgment. Yet AHP in effect asks this court to sift through this voluminous record and make a *de novo* determination of whether such a motion, if made, should have been granted.

The alleged prejudice which AHP claims it suffered and which, it claims, merits review by this court as to whether it should be given a new trial was engendered by AHP itself. It was AHP that insisted on having the counterclaim tried to the same jury simultaneously with its charge of willful infringement. J&J twice requested bifurcation several weeks prior to the trial, explaining that separate trials, first on infringement and then on its counterclaim, would "avoid *prejudice*, minimize expense and delay . . . and result in a just and final disposition of the

litigation . . . .'" (A1701-1702; A1708-1712) (emphasis added). AHP resisted, stating that it did "not believe bifurcation would be appropriate", quoting cases to the effect that "bifurcation has been characterized as the 'exception rather than the rule'" (A1703-1707), and ultimately convinced the trial court to deny bifurcation. (A1713).

AHP's motive for resisting bifurcation was obvious. As discussed below, it knew its factual case for proving infringement was non-existent. By having the unfair competition counterclaim tried together with its infringement charge, it was able to get in evidence certain documents relevant to J&J's counterclaim, but otherwise clearly not admissible in its own infringement case. These documents, discussed below, were AHP's only "proof" of alleged infringement. It is a fair inference that these documents, although legally irrelevant on the infringement claim, were probably used by the jury to conclude that J&J had failed to prove by clear and convincing evidence its counterclaim of sham litigation.

The Federal Circuit did not have to and did not reach the issue of whether there was substantial evidence supporting J&J's charge of sham litigation. It did not do so because, after a careful review of the complicated record and the one hundred forty pages of briefs submitted to it, mostly devoted to an analysis of the evidence, it found as follows:

> In addition to the allegedly improper evidence [relating to the counterclaim], the jury heard substantial evidence that claim 6 of the '746 patent, properly construed in light of the prior art and AHP's other patents, does not read on the accused use of norgestimate contraceptives. The judge explained the

> claim and counterclaim to the jury with the adequate instructions. The jury considered the evidence in accordance with these instructions, concluding that J&J had not infringed the patent and that AHP had not engaged in unfair competition. AHP got a fair trial on its claim of infringement; that is all the law demands. (Pet. App. A11).

The evidence establishing non-infringement for the most part, however, was essentially the same as that going to AHP's good faith or lack thereof. Contrary to AHP's intimations, this is the usual situation involved in sham litigation counterclaims in patent litigation. As noted in Kobak, *Professional Real Estate Investors* And The Future Of Patent-Antitrust Litigation: *Walker Process* and *Handgards* Meet *Noerr-Pennington*, 63 Antitrust L.J. 185 at 211 (1994):

> There is no doubt that *Handgards* claims will be raised in the future since they so naturally arise as counterclaims to infringement litigations and are based on the same facts of noninfringement, invalidity, or inequitable conduct that constitute the basis for the affirmative defenses. The two-part test of PRE will just as clearly apply to such claims.

The charge of infringement was that use of norgestimate as an oral contraceptive infringed a patent claim for the use of norgestrel acetate as an oral contraceptive, a laboratory compound never marketed for such use or for any other sort of use. The infringement charge was not for literal infringement, but rather infringement under the doctrine of equivalents, *i.e.*, that norgestimate was substantially the same

as norgestrel acetate. AHP's theory for which it had no reliable proof and which was decisively disproved by its own blood studies was that norgestimate metabolized into substantial amounts of norgestrel acetate.

As explained in the Federal Circuit's opinion, this litigation was instituted by AHP in September, 1991 (*AHP II*), as a sequel to an earlier patent litigation instituted by J&J in January, 1990 (*AHP I*). Both involved norgestimate, the first new oral contraceptive to be marketed in twenty years, which was widely recognized as being less androgenic, *i.e.*, having fewer or less severe male hormonal side effects, and thus safer and more efficacious. AHP, the major competitor of J&J in the oral contraceptive market, was doing everything in its power to stop this drug from being marketed. In 1990, because a broad generic patent owned by AHP, but different from the one AHP sued on in this action, concededly covered norgestimate, J&J brought a declaratory judgment to determine whether or not that patent was valid (*AHP I*). In the event it was, J&J conceded infringement. The trial court held that this broad generic patent was valid, and the Federal Circuit affirmed that judgment. *Ortho Pharmaceutical Corp. v. Smith*, 18 U.S.P.Q.2d 1977 (E.D. Pa. 1990), *aff'd*, 959 F.2d 936 (Fed. Cir. 1992).

The patent involved in *AHP I* expired in November, 1991, but AHP was determined to extend the duration of its patent monopoly to keep norgestimate off the market, even if it had to make up a claim, which it proceeded to do. The proposed findings AHP submitted to the trial court in an expedited trial held in *AHP I* during June 1990, included a deliberately ambiguous finding to the effect that "it may be as much as 85 percent of the [therapeutic activity of norgestimate] must be accounted for from the [combined] activity of norgestrel and norgestrel [17-]acetate [norgestrel

acetate]." (Finding 68, 18 U.S.P.Q.2d at 1985-1986). The trial court in *AHP I* simply adopted this proposed finding as part of an indiscriminate adoption of all of the findings proposed by AHP. AHP made this particular finding deliberately ambiguous because there was no evidence that *any* amounts of norgestimate metabolized into norgestrel acetate. It did this to lay the groundwork for bringing *AHP II* in an attempt to extend its patent monopoly beyond November, 1991. The patent claim for use of norgestrel acetate as an oral contraceptive did not expire until January 1994.

The problem was that AHP did not have and never has had *any* objective evidence that norgestimate did metabolize into norgestrel acetate to any significant extent. Its own study indicated that norgestimate did not metabolize into norgestrel acetate at all. (A4186-4205). The sole surrogate for proof which AHP had was some concededly inaccurate quantifications done in a process known as thin layer chromatography ("TLC") which purported to show a range of norgestrel acetate up to 10% of the norgestimate metabolites. (A5079). No expert on either side, however, has ever stated that this TLC procedure could be relied upon for any accurate quantification of metabolites. It is undisputed that all that study indicated was that norgestrel acetate in some unknown amount may exist as a metabolite of norgestimate, and that using TLC it is impossible to quantify it with any degree of accuracy. (A5630; A6055-6056). Its own expert, in fact, conceded that that study was only "a starting point for more intensive investigations." (A5157).

The hallmark of AHP's bad faith was and still remains its refusal, unexplained over the four years of the course of this litigation, to do accurate metabolite studies of norgestimate prior to bringing this suit to determine if any

significant amounts of that drug metabolized into norgestrel acetate. Since the suit was filed in September 1991, J&J produced its own high-performance liquid chromatography ("HPLC") study which showed only trace amounts of norgestrel acetate as the metabolite of norgestimate. The results of these sophisticated studies were produced to AHP during the course of the discovery done prior to the hearing of the preliminary injunction motion. AHP has now admitted that had this data been produced prior to its bringing suit, it "may well not have brought" infringement suit or sought the preliminary injunction. AHP's Memorandum in Support of Motion to Discharge Undertaking, dated November 3, 1995, filed in this action (E.D.Pa. Civ. Action No. 91-5594, p. 19). In a recent discovery motion, AHP further conceded that had it had more time to evaluate these data, "no wrongful injunction likely would have been obtained." Memorandum of AHP in Support of Its Motion to Compel Compliance with Subpoenas, and for Costs, dated November 6, 1995 (E.D. Pa. Civ. Action No. 94-1388, p. 3).

Despite the fact that it had done no studies showing that norgestimate metabolized into anything but trace amounts of norgestrel acetate, AHP persisted in pressing the motion for a preliminary injunction in this action, *AHP II*. AHP successfully convinced the trial court that by virtue of Finding 68, which AHP managed to fob off on the trial court in the earlier action, norgestimate had "been declared judicially to be the equivalent" of norgestrel acetate. AHP then pointed to the inaccurate TLC data as substantiating this supposed finding. It managed to convince the trial court in *AHP II* that this earlier finding that "up to 85% of the norgestimate activity *may be* due to the activity of norgestrel *and* norgestrel acetate," constituted such a judicial declaration. Granting of this preliminary injunction actually astonished AHP itself, its trial counsel jubilantly explaining to its in-house counsel that "we took a long-shot, and we

won." (A5904). It is this misapplication of the doctrine of collateral estoppel that AHP now asserts granted it immunity, as a matter of law, to pursue the patent litigation in bad faith.

After the Federal Circuit had reversed the preliminary injunction, AHP finally did its own HPLC studies, using an even more sophisticated variation to that procedure used in J&J's earlier HPLC studies, and these findings dovetailed almost precisely with those of J&J's, yielding only trace amounts of norgestrel acetate. Yet it persisted in trying this case despite and in the face of the admission of its own expert that any metabolism of norgestimate into norgestrel acetate constituted a "bonus" and that at least 50% of norgestimate could not conceivably have even transitorily metabolized into norgestrel acetate. Its expert likewise conceded that norgestimate does not "function the same way and produce the same result" as norgestrel acetate. (A5140; A5214). This tri-partite analysis of function, way, and result is the classic formulation for determining infringement under the doctrine of equivalents articulated by this court in *Graver Tank v. Linde Air Products Co.*, 339 U.S. 605 (1950).

In short, this was the substantial evidence from which the jury could find not only infringement, but could legitimately have found AHP was acting in bad faith, both in instituting and continuing to prosecute this action.

As a surrogate for legitimate proof, AHP concocted a metaphysical hypothesis, dubbed at trial the "phantom metabolite theory," which is explained in detail in the opinion of the Federal Circuit reversing preliminary injunction. *American Home Products Corp. v. Johnson & Johnson*, 25 U.S.P.Q.2d 1954 (Fed. Cir. 1992). It is not necessary to discuss it in detail except to note that it postulates the unproved and unverified existence of norgestrel acetate as an

intermediate metabolite of norgestimate, *i.e.*, one never detected in the blood -- hence, the so-called phantom metabolite theory. This very theory, however, has been rejected as a matter of law by the Federal Circuit as being fanciful. *Zenith Laboratories, Inc. v. Bristol-Myers Squibb Co.*, 19 F.3d 1418 (Fed. Cir.), *cert. denied*, ___ U.S. ___, 115 S.Ct. 500 (1994).

In short, it is mind boggling for AHP to assert that J&J "never tried to refute the objective merit of petitioners' infringement claim." (Pet. p. 5). Indeed, the twenty witnesses which AHP points to as having testified regarding the bad faith of AHP in pressing this charge actually testified for the most part as to the merits or lack of merit of this claim of infringement, and most of those were called by AHP.

ARGUMENT

I. Denial Of The Motion For A New Trial Was Not An Abuse of Discretion And Is Not An Appropriate Issue For Review By This Court

AHP places great reliance upon its originally having obtained, contrary to its own expectations, a preliminary injunction by the District Court, which was reversed by the Federal Circuit in a 2-to-1 opinion as being dispositive of its lack of bad faith. Indeed, it constantly paraded the District Court's opinion as well as the dissenting opinion in the Federal Circuit before the jury, supposedly as proof of its evidence of good faith and, judging from the jury's verdict on the counterclaim, with apparent success. It is well established decisional law, ignored by AHP, however, that the mere initial success in the early stages of a litigation does not provide, as a matter of law, the absolute immunity which

AHP asserts, without citation of authority, that it achieved by virtue of getting this preliminary injunction. *Boulware v. Nevada Dep't of Human Resources*, 960 F.2d 793, 799 (9th Cir. 1992), while affirming a summary judgment dismissing a sham litigation complaint under the antitrust laws, rejected a similar *per se* contention by the antitrust defendant based upon its initial success in an injunction in the prior Nevada state court subsequently reversed on appeal. In that case the Ninth Circuit stated:

> Both the initial success on the merits and the subsequent reversal are relevant to the inquiry but neither factor is determinative. The court hearing the anti-trust claim must make its own assessment of the objective merits of the predicate suit and decide whether it was intended to inflict anticompetitive injury through the legal process or by virtue of the legal outcome.

Subsequent to this court's decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, __ U.S. __, 113 S.Ct. 1920 (1993) ("PRE"), the Federal Circuit in *FilmTec Corporation v. Hydranautics*, 67 F.3d 931 (Fed. Cir. 1995), in affirming the dismissal of a sham litigation counterclaim in a patent suit, endorsed the foregoing rule articulated in *Boulware*, stating:

> On the other hand, a preliminary success on the merits does not necessarily preclude a court from concluding that litigation was baseless. *See Boulware*, 960 F.2d at 798-99.

Finally, the Ninth Circuit in a related case, *Hydranautics v. FilmTec Corporation*, __ F.3d __,

No. 93-56426, 1995 WL 675833 (9th Cir., Mar. 9, 1995), reversed a dismissal of essentially the same sham litigation complaint as before the Federal Circuit, holding that the inquiry was essentially a fact bound one, stating:

> We do not decide whether the case at bar is distinguishable, on the ground that FilmTec's alleged fraud would render FilmTec's patent infringement claim objectively baseless. The Federal Circuit held that as a matter of law, FilmTec's case was not objectively baseless, but said "there is no dispute over the facts." In the procedural posture of the case before us, it would not be correct to say that there is no dispute as to the facts.

With respect to FilmTec's initial success in obtaining a reversed injunction result, the Ninth Circuit explicitly rejected its argument that this initial success, as a matter of law, established that the patent action was prosecuted in good faith.

In short, it has been the established law since at least *Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Board*, 542 F.2d 1076 (9th Cir. 1976), *cert. denied*, 430 U.S. 940 (1977), that initial success in the litigation process does not, as a matter of law, immunize a party accused of bad faith litigation under the first amendment. *PRE* did nothing to change this rule.

Contrary to AHP's assertion, the Federal Circuit in this case was not guilty of having "propounded a novel *per se* rule of law: that a jury ruling in one party's favor on an opposing party's claim necessarily implies that the jury has rejected the losing party's evidence for all purposes." (Pet. p. 7).

Because both sides agreed to a general verdict on the unfair competition counterclaim, it is impossible to tell whether the jury found that J&J had not proved by clear and convincing evidence that, either AHP had acted in objective bad faith, or the second prong of the unfair competition counterclaim, namely, that the infringement claim had been made for an illegal anti-competitive purpose. It is quite clear, however, that the jury rejected at least one of these two charges.

In addition, AHP's claim was barred under the doctrine of *res judicata*. This bar of claim preclusion or *res judicata*, if applicable, clearly indicated AHP's bad faith because it presented a clear cut question of law based on undisputed facts. The sole reason for the trial court's denial of J&J's summary judgment motion based on *res judicata* was its confusion of the term "claim" as used in 35 U.S.C. § 112 with the term "claim" as it is used in applying the doctrine of *res judicata*. (A1067). The evidence affirmatively disproving AHP's charge of infringement was overwhelming. For this reason, the Federal Circuit did not pass upon and decide whether or not AHP's infringement claim was insufficient as a matter of law. As noted above, it previously had held that a phantom metabolite theory advanced by AHP was insufficient as a matter of law. *Zenith Laboratories, Inc. v. Bristol-Myers Squibb Co., supra*. It did not pass on this legal issue, nor did it consider the *res judicata* issue. It is clear, however, that *res judicata* applied.

Again AHP assumed its success in convincing the trial court that *res judicata* did not apply is a *per se* and unassailable adjudication of its good faith in asserting that *res judicata* did not apply. But, as noted, this is a pure question of law and *PRE* recognized in such an instance that

probable cause, *i.e.*, good faith or lack of it, is decided as a question of law, declaring:

> Where, as here, there is no dispute over the predicate facts of the underlying legal proceeding, a court may decide probable cause as a matter of law.

"The patentably distinct subject matter" test which was used by the trial court in holding *res judicata* to be inapplicable unarguably is not the proper one for determining whether a subsequent suit on a different patent claim is barred by prior litigation. In analyzing the scope of *res judicata* in the context of patent litigation, this court has ruled that "claim" does not refer to a "claim in a patent" but "is used in the sense of *the facts giving rise to the suit.*" *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 478, 20 USPQ2d 1241, 1248 (Fed. Cir. 1991) (emphasis supplied).

AHP's patent rights to the compound claim for norgestrel acetate embracing all uses thereof ended when Claim 19 of the '322 patent expired on November 26, 1991. But the subsumed and overlapping patent claim of the '746 patent for an oral contraceptive use of the norgestrel acetate compound did not expire until over two years later, in January 1994.

AHP asserted the product claim in the '322 patent for norgestrel acetate in *AHP I*. It also could have asserted the therapeutic use claims for the product in the '746 patent (Claims 4 and 5). It elected not to do so because (a) by its own admission, AHP had no proof of infringement (A4662) and (b) it wished to manufacture the paper trail described above as a surrogate for such proof of infringement. Its own in-house counsel admitted at the trial of *AHP II* that AHP was aware of the availability of making the infringement

charge under the method of use claims in the '746 patent, but decided prior to the trial in *AHP I* to await the results of that trial before suing on the '746 patent. (A5758).

In an attempt to avoid being barred from later suing on the '746 patent, AHP put the '746 patent into reexamination in the Patent Office in June, 1990, the day before the *AHP I* trial was to begin. (A5751). The ostensible reason for reexamination was to secure a new claim (Claim 6) that was narrower than the existing norgestrel acetate method of use claims. AHP instituted *AHP II* on September 1, 1991, the day Claim 6 was allowed in reexamination. Nevertheless, AHP admitted that if the narrower Claim 6 was infringed, then so was the original broader claim, Claim 5, which covered *all* therapeutic uses of norgestrel acetate, including the specific one asserted in Claim 6, namely, use as an oral contraceptive. Thus, AHP admitted that it could have sued on the '746 patent after it had been put into reexamination, but prior to issuance of Claim 6 in the reexamination.

Twice the Federal Circuit has recently stressed that the test for permitting further related patent litigation should be whether the subsequent patent deals with the "same patentable subject matter," not the test used by the trial court of whether two separate patent claims could be issued. *In re Deckler*, 977 F.2d 1449 (Fed. Cir. 1992). *See also In re Kathawala*, 9 F.3d 942, 28 USPQ2d 1785 (Fed. Cir. 1993); *In re Pleuddemann*, 910 F.2d 823, 825-26, 15 USPQ2d 1738, 1740 (Fed. Cir. 1990).

Finally, *Keene Corp. v. United States*, __ U.S. __, 113 S.Ct. 2035 (1993), affirming the decision by the Federal Circuit *en banc* in *UNR Industries, Inc. v. United States*, 962 F.2d 1013 (Fed. Cir. 1992), underscores the point that the bar of *res judicata* in this case is inarguably applicable.

Keene, although not dealing with patent law but rather with claims under the Federal Torts Claims Act, applied broad general principles of *res judicata*.

In the final analysis AHP's argument rests upon mistaken assumptions. It assumes it had an absolute right to have J&J's charge of sham litigation dismissed on the face of the pleading. It did not. It assumes that it had an absolute right not to have the counterclaim tried without moving for summary judgment after completion of discovery. It did not. It assumes that it had the right to insist upon J&J's counterclaim of sham litigation being tried with its infringement claim and then as of right get another trial on the infringement claim in the event it lost. It does not. It assumes that there was no evidence supporting J&J's charge of sham litigation. There was. It assumes that the jury did not follow the instructions which were agreed upon by both sides which carefully delineated the requirements for proving both the infringement case and the sham litigation charge. There is no basis for this conjecture.

II. The Content Of The Agreed Upon Charge On The Doctrine Of Equivalents Is Not A Proper Subject For Review By This Court

AHP claims that there was error worthy of this court's remedial intervention by its having consented to a charge of infringement under the doctrine of equivalents which instructed the jury to consider equitable factors in determining whether or not that doctrine was applicable.

AHP agreed to this charge and did so with knowledge, actual or constructive, that the Federal Circuit in *Hilton Davis Chemical Co. v. Warner Jenkinson Co.*, 45 F.3d 442 (unpublished), No. 93-1088, 1993 WL 761179 (Fed. Cir., Dec. 3, 1993), was considering whether or not

there was a threshold equitable requirement for applying the doctrine of equivalents prior to the court's submitting this case to the jury and charging it. The trial began on December 1, 1993. Two days thereafter the Federal Circuit *sua sponte* ordered the appeal in *Hilton Davis* to be decided *en banc*. The news of this startling order was widely publicized to the Patent Bar. *See e.g.*, BNA's Patent, Trademark and Copyright Journal (the "PTCJ"), Vol. 47, 12/9/93 ed. The PTCJ is widely read by the patent bar and that edition of that advance sheet had an extensive discussion of the order of *en banc* review of the doctrine of equivalents, including the ruling by the Federal Circuit in this case on the reversal of the preliminary injunction, *American Home Products Corp. v. Johnson & Johnson*, 25 U.S.P.Q.2d 1994 at 1956. (Fed. Cir. 1992). It pointedly emphasized that in this case [*AHP II*] "Judge Plager complained that the district court failed to 'take into account the critical equitable aspect in its doctrine of equivalents analysis,' citing *London*."

This case was not submitted to the jury until December 16, 1993. At no time did AHP object to the court's charging that applying the doctrine of equivalents required consideration of equitable factors. Nor did it do so in its motion for a new trial made in January 1994.

Contrary to what AHP tells this court (Pet. p. 12 at n.6), it did not raise the propriety of the District Court's charging these equitable factors to the jury on the appeal. Its opening brief never cited the *Hilton Davis en banc* review order, and it never argued that if the *Hilton Davis en banc* decision were to contain a ruling that equitable factors were not to be considered in a doctrine of equivalents charge, then the jury instructions given in this case were improper and required a new trial.

It resisted J&J's request to have the court consider these equitable factors, and successfully insisted that the jury consider them in a charge to which both sides unequivocally agreed. It, nevertheless, proceeded to argue on appeal that the equitable factors should have been considered by the court, as opposed to the jury. The second point in AHP's opening brief was captioned as follows:

> "Point 2. The District Court Erred As A Matter of Law In Instructing The Jury To Consider The Equities Under the Doctrine Of Equivalents
>
> B. The Issue Is for the Court Alone"

AHP's Opening Brief on appeal dated 5/2/94, p. 31.

Under this point it argued that whether the doctrine should be applied "is a matter for the court alone" and, alternatively, that "the only equities to be considered, if any [by the jury] in determining infringement under the doctrine of equivalents, are those arising from J&J's conduct." *Id.* at pp. 32-33. In J&J's responding brief the pendency of the *en banc* review of this issue in *Hilton Davis* was discussed, and after noting that it "has long been an open question" as to whether the doctrine is an equitable remedy, J&J's answering brief pointed out the following:

> At no time during the course of this proceeding did AHP assert that the court, not the jury, should determine any disputed factual issue on its infringement case -- whether relating to claim interpretation or characteristics of the accused drug or copying.

Answering Brief of J&J filed 6/13/94, p. 40.

In its reply brief AHP then proceeded to argue, just as it did in the district court, that the equities "were certainly in AHP's favor on [this threshold requirements] issue." AHP Reply Brief, p. 21. Again, AHP made no mention of the pending *en banc* consideration of *Hilton Davis*, nor did it advance the argument that applying equitable considerations in a doctrine of equivalents analysis was plain error. The plain error rule is applicable in this case and would have allowed the appeals court to evaluate the correctness of the charge on the doctrine of equivalents even though no exception to the charge has been taken.

Thus, for AHP to represent to this court that the Federal Circuit refused to rule on the erroneous jury instructions, thereby depriving AHP of its right to appeal is, to say the least, revisionist history.

CONCLUSION

The Federal Circuit was correct in ruling that there was no abuse of discretion committed by the trial court in denying AHP's motion for a new trial on the basis that the sham litigation counterclaim which AHP insisted upon being tried simultaneously with its infringement charge deprived it of a fair trial. AHP's second reason for review, namely, that there was error in submitting the doctrine of equivalents charge to the jury is raised for the first time in the four year history of this case on this petition for a rehearing. It is not a valid basis for the exercise of this court's jurisdiction.

Dated: December 6, 1995

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No. 95-731

IN THE

Supreme Court Of The United States

October Term, 1995

AMERICAN HOME PRODUCTS CORPORATION

Petitioner,

v.

JOHNSON & JOHNSON
AND
ORTHO PHARMACEUTICAL CORPORATION

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

INTRODUCTION

At best, respondents' opposition is no more than a determined effort to obscure the legal issues raised by this petition. The important issue at hand lies at the intersection among patent and other federal statutes that confer limited monopoly rights, this Court's decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus, Inc.* 113 S.Ct. 1920 (1993), and the harmless error doctrine. Respondents' brief (Opp. at 3, 8-10) demonstrates the recurring nature of the facts relevant to this petition, and accordingly, the need for this Court's guidance if *Professional Real Estate Investors* is, in fact, to have any vitality

in areas governed by federal laws conferring limited monopolies.

The facts relevant to the legal issue presented are few and quite straightforward. In petitioner's suit for patent infringement, respondents asserted a counterclaim that alleged that the suit itself had been filed in bad faith for purposes of stifling competition. (As noted, respondents' opposition brief shows that this is a quite common defensive strategy.) Despite *Professional Real Estate Investors*, petitioner's efforts to have the counterclaim dismissed were rebuffed at every juncture. As a result, respondents were permitted to saturate the jury with inflammatory allegations regarding petitioner's bad faith and evil, anticompetitive motives. Although the jury subsequently found for petitioner on the counterclaim, it ruled for respondents on the patent infringement claim, which the district court improperly characterized as depending on the equities between the parties.

Respondents' entire argument is that petitioners were not entitled to dismissal of the counterclaim as a matter of law. That theme commences in the opening sentence of their brief. The argument is irrelevant: *the Federal Circuit assumed that the counterclaim should have been dismissed on the basis of Professional Real Estate Investors.* The court held, however, that any improper admission of evidence relating to respondents' counterclaim was *per se* harmless simply because the jury found against respondents on their counterclaim. The petition seeks review of that holding, and to the merits of the Federal Circuit's harmless error standard respondents devote only *one* unilluminating *paragraph* (Opp. at 10, last paragraph). And respondents make no effort — none — to defend the validity of the Federal Circuit's harmless error doctrine.

Instead, respondents seek to bury this petition, presenting it as involving no more than fact-intensive issues of no systemic importance. But respondents' own brief shows how common

(and how fruitful) it is for defendants to meet suits based on statutes conferring limited monopolies with the defense that the suit itself was commenced in bad faith for anticompetitive purposes. What is at stake in this petition, therefore, is the meaning of *Professional Real Estate Investors* in the area of federal statutes that confer limited monopolies. The court below assumed that respondents' counterclaim should have been dismissed, yet it affirmed on the basis of a newly fashioned harmless error standard. Petitioners have raised serious questions regarding that standard, and they have emphasized its potentially far-reaching and destructive consequences in areas where Congress has conferred limited monopolies. We submit, therefore, that the issue presented is one of systemic importance. If, as we contend, the Federal Circuit's standard was erroneous, this Court's practice is to so state, and then to remand to the court below to apply the proper standard to the facts of record. *See, e.g., Field v. Mans*, ___ U.S. ___, 64 U.S.L.W. 4015, 4020 (Nov. 28, 1995); *Thompson v. Keohane*, ___ U.S. ___, 64 U.S.L.W. 4027, 4032 (Nov. 29, 1995).

I.

Respondents' opposition brief is directed not at all to the Federal Circuit's harmless error standard but to what respondents would like the facts to be. Respondents' effort to bury the legal issue raised in a fact-intensive inquiry highlights the destructive consequences of the Federal Circuit's *per se* harmless error rule on the exercise of patent rights. Far from contradicting petitioner, respondents' opposition confirms the sweeping and pernicious effect of the ruling below in any case where Congress, pursuant to U.S. Const. art. I, § 8, cl. 8, has conferred monopoly rights.

Professional Real Estate Investors, *supra*, confirmed that a defendant must *first* prove an action to be objectively baseless *before* any evidence of the subjective motivation underlying the suit may be introduced. *Id.* at 1928. Absent such a showing,

subjective intent is irrelevant, and it may not be presented to a jury. Any other rule would completely eviscerate the constitutional right of petition by allowing a defendant, as here, unlimited license to portray the plaintiff as evil and thereby invite the jury to decide the case not on the merits but on its disapproval of the plaintiff.

The Federal Circuit's *per se* rule that evidence submitted in a losing cause on a counterclaim can never be harmful sharply conflicts with the right to petition recognized in *Professional Real Estate Investors*. The Federal Circuit's harmless error rule clearly encourages defendants to file frivolous counterclaims attacking plaintiffs' motives. So long as the jury denies the counterclaim, according to the Federal Circuit, any evidence submitted in furtherance of the counterclaim must be treated as harmless, no matter how prejudicial and inflammatory it might be. This far from self-evident *per se* rule has particularly dire consequences in the administration of the Patent Statute or any other statutory scheme conferring a limited monopoly, because it greatly encourages the filing of frivolous counterclaims, thereby improperly conditioning the exercise of constitutionally-derived, Congressionally conferred monopoly rights upon "a demonstrated lack of anticompetitive intent." *See Professional Real Estate Investors,* 113 S.Ct. at 1930.

II.

Respondents, as we have noted, claim that the petition rests on the "mistaken assumption" that respondents' sham litigation counterclaim was insufficient as a matter of law, contending that "there was never such a determination and this court should not make one." (Opp. at 1 and 14). This line of argument makes no effort to defend the merits of the harmless error rule announced by the court below and which petitioners challenge here. The court below did not even intimate — let alone conclude — that the counterclaim was legally sufficient. Quite to the contrary, the court virtually acknowledged that the sham

litigation counterclaim should not have gone to the jury; its opinion "assum[ed] that the alleged errors [of not striking the counterclaim] occurred." App. A-10. In an attempt to divert attention from respondents' continued failure to overcome petitioner's constitutionally-derived immunity from sham litigation counterclaims, respondents ask this Court to blind itself to the rule actually applied by the court below. They seek to divert attention from the real issue by portraying petitioner as evil and undeserving of any relief.[1] This is a paradigmatic illustration of the type of conduct the Federal Circuit's harmless error rule encourages.

While not of ultimate significance here, *see Field v. Mans* and *Thompson v. Keohane, supra*, respondents' factual assertions should not go unchallenged in this Court. Respondents concede, as they must, that probable cause to bring suit should be decided as a matter of law when the predicate facts are not in dispute. *Professional Real Estate Investors,* 113 S.Ct. at 1930. As stated in petitioner's opening brief, when respondents' counterclaim was before the district court, the objective merit of petitioner's suit was incontrovertible for numerous reasons. Respondents deny that fact, pointing to decisions which state that the grant of a preliminary injunc-

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[1] Respondents repeatedly ignore the objective prong of a sham litigation claim as set forth in *Professional Real Estate Investors*, or attempt to reduce it entirely to a wholly subjective standard. For example, they characterize the objective prong as whether petitioner "acted in objective bad faith" (Opp. at 11) and portray "probable cause" as synonymous with "good faith or lack of it." (Opp. at 12). Respondents also assert that petitioners invited any prejudice by opposing their unworkable bifurcation proposal. Petitioner opposed the bifurcation because it would have fragmented both discovery and petitioner's infringement and damages claims. At the same time, it was always petitioner's position that the jury should not have an opportunity to hear respondents' unfair competition counterclaim. (A1088-1115; A1714-48; A1795-18805).

tion was not *alone* dispositive.[2] In these decisions, virtually all of which *sustained* the *Professional Real Estate Investors* defense, the court of appeals had *unanimously* reversed issuance of the injunction. Moreover, these cases do hold that the issuance of a preliminary injunction is highly probative of whether a party has probable cause to bring suit. *See Boulware v. Nevada Dept. of Human Resources*, 960 F.2d, 793, 799 (9th Cir. 1992). And here there is much more. As stated above, the uncontroverted objective merit of petitioner's suit is grounded on much more: (a) the district court had already granted petitioner's motion for a preliminary injunction (JApp. 1057-58); (b) one judge of the Federal Circuit had voted to affirm that order; (c) respondents had not contested the validity of petitioner's patent (JApp. 3116-479, 5299); (d) a 1977 opinion of respondents' patent counsel had stated that the patent was valid and might well be infringed (JApp. 3120-60); and (e) evidence obtained from respondents prior to filing this suit provided a sufficient basis for the suit (JApp. 482-83, 5879-80). Respondents did not dispute the evidence, and no showing to the contrary was ever attempted.[3] The counterclaim should therefore have been stricken as a matter of law.

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[2] As part of their strategy to portray this litigation as completely fact-dependent, respondents hope to muddy the waters by invoking *res judicata*. We note only that respondents' *res* judicata defense has been found meritless on every occasion. The district court granted judgment as a matter of law on this defense at the close of respondents' case. JApp. 5990. Respondents appealed the issue to the Federal Circuit, which found respondents' arguments "meritless." App. A-13. Respondents have not appealed that ruling to this Court.

[3] Respondents' claim that the district court denied petitioner's motion for summary judgment on the sham litigation counterclaim based on respondents' Rule 56(f) affidavit is specious. The district court provided no reasons for its denial of the motion. JApp. 1700. Moreover, once a court has determined that the main claim is objectively reasonable, a sham litigation counterclaim is properly dismissed on summary judgment despite the defendant's claims that it had not been afforded discovery. *Professional Real Estate Investors*, 113 S.Ct. at 1931.

III.

As petitioner demonstrated in its opening brief, the Federal Circuit's failure to rule on the district court's erroneous jury charge is inconsistent with basic norms of judicial review, and that court deprived petitioner of its right of appeal. Respondents apparently concede that point, since they advance arguments directed only to petitioner's supposed "waiver." Respondents contend that petitioner's appeal to the Federal Circuit failed to urge error in the district court's jury charge — that determination of infringement under the doctrine of equivalents rested on equitable considerations. This statement is false.

As stated in petitioner's opening brief, petitioner presented the following issue for review:

> Did the district court commit reversible error:
>
> . . .
>
> (ii)(a) in directing the jury to weigh equitable considerations in determining infringement under the doctrine of equivalents. (Appellants Brief at 2).

Petitioner urged the Federal Circuit that the appropriate test for infringement under the doctrine of equivalents did not include weighing the equities, as the panel majority had instructed the district court in reversing the preliminary injunction:

> The equivalency determination itself does not involve any equitable considerations; a device or method is the equivalent of a claimed invention regardless of equities. . . . [The] "equities" represent the reason the doctrine of equivalents was created, not how it is applied.

(Appellants Brief at 32). Petitioner's brief correctly stated the law as recently affirmed in *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995). The earlier Federal Circuit panel majority's opinion, on which the

district court based its jury charge, is directly contrary to *Hilton Davis*.

Respondents' contention that petitioner never presented this ground of appeal is further belied by respondents' own brief before the Federal Circuit, where respondents argued that the jury instructions were proper. There, respondents argued that "the claimed error in directing the jury to weigh the equitable considerations in determining infringement under the doctrine of equivalents was waived."[4] (Appellee's Brief at 40). Thus, respondents' position that petitioner somehow waived this ground of appeal is untenable.

CONCLUSION

The petition for certiorari should be granted.

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[4] Contrary to this statement, the lack of an objection at the trial level is not determinative of petitioner's right to a new trial. *Hormel v. Helvering*, 312 U.S. 552, 556-59 (1941); *Turner v. City of Memphis*, 369 U.S. 350 (1962). Respondents in fact agree:

> The plain error rule is applicable in this case and would have allowed the appeals court to evaluate the correctness of the charge on the doctrine of equivalents even though no exception to the charge had been taken.

(Opp. Br. at 17).

Respectfully submitted,

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